



# Technical Advisory Group Issue Paper

AGENDA ITEM: TAGED12-05

18 May 2023 – Online

## Exposure draft 2 update – Non-prioritised topics

Summary	The paper provides an overview of the substantive comments received from TAG members on the first draft of the Exposure Draft 2 content for Sections 11 <i>Financial instruments</i> , 21 <i>Provisions and contingencies</i> , 25 <i>Borrowing costs</i> , 26 <i>Share-based payments</i> , 28 <i>Employee benefits</i> , 29 <i>Income tax</i> , 31 <i>Hyperinflation</i> and 32 <i>Events after the end of the reporting period</i> and the proposed changes to the Guidance. It also addresses feedback on the consequential amendments to Section 6 <i>Statement of Changes in Net Assets</i> .
Purpose/Objective of the paper	The paper identifies the key issues and suggested changes raised by TAG members. It provides TAG members with the drafting changes proposed by the Secretariat for comment. It requests TAG advice on areas that require further consideration prior to the finalisation of the Section. It also requests TAG advice on whether all of the Sections drafted should be included in ED2.
Other supporting items	N/A
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Actions for this meeting	<b>Comment on</b> the proposed changes to the Guidance to be included in Exposure Draft 2 and <b>advise on</b> the areas requiring further consideration.

# Technical Advisory Group

## Exposure draft 2 update – Non-prioritised topics

### 1. Introduction

- 1.1 This paper provides:
- an overview of the substantive comments received to each part of the Exposure Draft 2 and proposed changes to the Guidance text content for:
    - Section 6 *Statement of Changes in Net Assets*
    - Section 11 *Financial instruments*
    - Section 21 *Provisions and contingencies*
    - Section 25 *Borrowing costs*
    - Section 26 *Share-based payments*
    - Section 28 *Employee benefits*
    - Section 29 *Income tax*
    - Section 31 *Hyperinflation*
    - Section 32 *Events after the end of the reporting period*;
  - areas where further TAG member consideration is required prior to the finalisation of the Section for public exposure; and
  - consideration of whether all of these Sections should be included in ED2.
- 1.2 Where there is not a discussion of substantive points in this paper, there was either no feedback, or feedback was editorial in nature. This applied to Section 21 *Provisions and contingencies*, Section 25 *Borrowing costs* and Section 31 *Hyperinflation*.

### 2. Substantive comments received and proposed changes to Section 6 *Statement of Changes in Net Assets*

- 2.1 Comments and editorial suggestions were received from 3 TAG members on the authoritative guidance and the basis for conclusions . The most significant comments were in relations to paragraph G6.5 and the associated authoritative guidance in AG6.1, AG6.2 and bullet point in the comparison table. The suggestion was made that rather than requiring an analysis, instead G6.5 should require an explanation. Secretariat agreed with this suggestion and the amendments in the table below are proposed to the text.



	Original draft	Proposed amended text
G6.5	An NPO shall disclose an analysis of the reasons for changes resulting from movements between funds with restrictions and funds without restrictions, and any of the other identified components (paragraph G6.3 e)). Paragraphs AG6.1-AG6.3 provide additional guidance on movements between funds with restrictions and funds without restrictions.	An NPO shall <u>provide an explanation of the</u> movements between funds with restrictions and funds without restrictions, and any of the other identified components (paragraph G6.3 e)). Paragraphs AG6.1-AG6.3 provide additional guidance on movements between funds with restrictions and funds without restrictions.
AG6.1	Paragraph G6.5 requires an NPO to disclose an analysis of the reasons for the changes resulting from movements between funds with restrictions and funds without restrictions, and any of the other identified components. Movements should always net to nil.	Paragraph G6.5 requires an NPO to disclose an <u>explanation of the</u> movements between funds with restrictions and funds without restrictions, and any of the other identified components of <u>net assets</u> . Movements should always net to nil.
AG6.2	Where a number of movements have occurred for the same reason, these may be grouped together in the analysis.	Where a number of movements have occurred for the same reason, an <u>explanation</u> may be provided for the group of transactions. <u>In determining how to group the reasons for such transfers, the NPO shall consider what information will be most useful to users of the NPO's financial statements.</u>
Comparison table	INPAG Section 6 requires an NPO to disclose an analysis of the reasons for the changes resulting from movements between funds with restrictions and funds without restrictions, and any of the other identified components of. INPAG Section 6 also includes additional guidance on such movements.	INPAG Section 6 requires an NPO to disclose an <u>explanation of the</u> movements between funds with restrictions and funds without restrictions, and any of the other identified components of <u>net assets</u> . INPAG Section 6 also includes additional guidance on such movements.

2.2 Suggestions were made to the wording of the preamble and to paragraph AG6.3a) to clarify the intent of the text. Secretariat agreed with the proposed changes as per the table below.

	Original draft	Proposed amended text
Preamble	<i>As part of the development of the content of Exposure Draft 2, a number of consequential amendments are proposed for <b>Section 6 – Statement of Changes in Net Assets</b>. The proposed consequential amendments are <u>underlined</u>.</i>	<i>As part of the development of Exposure Draft 2, a number of consequential amendments are proposed for <b>Section 6 – Statement of Changes in Net Assets</b>. The proposed consequential amendments, <u>which are incremental to the changes made in ED1</u> are <u>underlined</u>.</i>



AG6.3a)	<p><u>Transfers from funds without restrictions to funds with restrictions to finance a deficit on funds with restrictions. Deficits may arise for various reasons, for example where a grant is provided in a foreign currency to enable the NPO purchase specified goods, and changes in foreign exchange rates after the date of the binding grant arrangement mean that additional funding is required for the NPO to purchase the goods.</u></p>	<p><u>Transfers from funds without restrictions to funds with restrictions to finance a deficit on a project being financed from funds with restrictions. Deficits may arise for various reasons, for example where a grant is provided in a foreign currency to enable the NPO to carry out specific activities or purchase specified goods, and subsequent changes in foreign exchange rates mean that additional funding is required for the NPO to fulfil its obligations.</u></p>
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**Question 1:** Do TAG members agree with the proposed amendments in paragraphs 2.1 and 2.2?

- 2.3 Three TAG members raised questions about paragraph AG6.3c), which sets out the requirements for transfers between funds in relation to the acquisition of a non-current asset. One TAG member was of the view that there should be a new requirement to disclose the amount of capital assets within funds without restrictions and this should be discussed with TAG members. They noted that the inclusion of capital assets within funds without restrictions can misrepresent the availability of unrestricted resources. Another TAG member felt that the proposed text in AG6.3 c) could be amalgamated into AG6.3 b) as the text appeared to be addressing the transfer between funds when a restriction no longer applies (the same as AG6.3 b). Another member noted that donors can provide funds to acquire an asset but not for its ongoing use or maintenance. They sought clarification on whether the maintenance costs would be allocated to funds without restrictions and proposed that only depreciation could be included as a transfer between funds. They suggested that an example was included to demonstrate these principles.
- 2.4 As the treatment of capital assets funded from donations appears frequently in questions raised by stakeholders, it is agreed that the inclusion of an example would be helpful. For this reason it is also proposed to retain a separate paragraph on capital so that the treatment of capital related items is clear. It is proposed that an example in Section 23 Part I is extended to illustrate the principle.
- 2.5 Secretariat do not propose to amend the draft principles about what is included in funds with restrictions and funds without restrictions. To improve the visibility of capital assets included within funds without restrictions, an additional disclosure to show the balance of capital assets could be required and drafting changes are proposed below.

	Original draft	Proposed amended text
AG6.3c)	<p><u>Transfers from funds with restrictions to funds without restrictions in respect of the acquisition of a non-current asset. An NPO may receive income with restrictions where the binding grant arrangement</u></p>	<p><u>Transfers from funds with restrictions to funds without restrictions in respect of a non-current asset. An NPO may be required to acquire a non-current asset under a binding grant arrangement.</u></p>



	<p><u>requires the NPO to acquire a non-current asset. Where the binding grant arrangement does not include any compliance obligations in respect of the future use of the asset, expenses in respect of the asset (for example, depreciation, maintenance and impairment) will be expenses without restrictions. In such cases, an NPO will transfer the cost of the asset from funds with restrictions to funds without restrictions. Where the binding grant arrangement does include compliance obligations in respect of the future use of the asset, expenses in respect of the asset will be expenses with restrictions and no transfer is required.</u></p>	<p><u>Where there are no compliance obligations regarding the future use of that asset, an NPO will transfer the cost of the asset from funds with restrictions to funds without restrictions on completion/purchase. Related expenses (for example, depreciation, maintenance and impairment) will be sourced from funds without restrictions. Where there are compliance obligations in respect of the future use of the asset, related expenses will be expenses with restrictions and no transfer of the asset is required.</u></p>
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**Question 2:** Do TAG members agree with the approach proposed by the Secretariat? What are TAG members' views on the disclosure of net capital assets within funds without restrictions?

- 2.6 A question was raised about whether the term 'funds with restrictions' should be hyphenated to 'funds-with-restrictions'. This was one of a number of comments about which words should be hyphenated, including 'donations-in-kind', 'gifts-in-kind' and 'services-in-kind' instead of just 'in-kind'.

**Question 3:** What are TAG members' view on the use of hyphenation?

- 2.7 One member proposed two potential SMCs for Section 6. One of these questions was whether transfers between funds should appear on the Statement of Changes in Net Assets or on the Statement of Income and Expenses. The second proposal related to contributions by funders toward support costs and whether these should be shown as a transfer between funds. The second proposal raises an important, which may be better addressed with the text to be drafted in ED3 around the classification of expenses. The Secretariat has drafted the SMCs for all of the non-prioritised Sections for potential inclusion in ED2 in Annex A.
- 2.8 One member proposed amendments to the draft text that was exposed in ED1. As these potential improvements do not relate to the consequential amendment, they will be addressed alongside other feedback to ED1.

### **3. Substantive comments received and proposed changes to Section 11 *Financial instruments***

- 3.1 Two TAG members raised queries on G11.6 b) and G11.6 e) and the equivalent paragraphs in Part II G11.60 e) and g). The first query was in relation to whether there could ever be an equity component of compound financial instruments. The

second point raised was suggesting that the paragraphs referencing shared-based payments should be deleted, as the Section on share-based payments is being deleted from INPAG.

- 3.2 The Secretariat agree that paragraphs G11.6 e) and G11.60 g) that reference share-based payments are not relevant, and proposed that these are deleted. In relation to the query on equity components of compound financial instruments, Secretariat welcomes feedback from the TAG.

**Question 4:** Do TAG members agree with the proposed deletions? Do TAG members have any views on the existence of equity components of compound financial instruments for NPOs?

- 3.3 One TAG member noted that there were no obvious differences between INPAG and the IFRS for SMEs Accounting Standard and suggested that paragraphs BC11.3 to BC11.6 be reviewed to make this clear. The paragraphs in the draft Basis for Conclusions related to initial proposals to include grant prepayment assets and grant payment liabilities in Section 11 itself. Two other TAG members also raised related questions on the implementation examples. These have all been updated with the revised text below.

	Original draft text	Proposed revised text
BC11.3	With the changes made to the scope of the financial statements in INPAG compared to the <i>IFRS for SMEs</i> Accounting Standard, particularly regarding the location of fair value adjustments. Section 11 has been updated to provide guidance on where these should appear. The proposed changes reflect the intent on how the Statement of Income and Expenses and the Statement of Changes in Net Assets are used.	Changes are proposed to the scope of the financial statements in INPAG compared to the <i>IFRS for SMEs</i> Accounting Standard, particularly regarding the location of fair value adjustments. Accordingly, Section 11 has been updated to provide guidance on where these should appear. The proposed changes reflect the intent on how the Statement of Income and Expenses and the Statement of Changes in Net Assets are used.
BC11.4	It is proposed to retain the general requirements of the <i>IFRS for SMEs</i> Accounting Standard, in terms of which items appear in other comprehensive income until such time as this Section is fully reviewed. INPAG therefore proposes that in subsequently measuring a financial instrument, generally changes in the fair value are required to be recognised through surplus or deficit.	It is proposed to retain the general requirements of the <i>IFRS for SMEs</i> Accounting Standard until such time as this Section is fully reviewed. INPAG therefore proposes that in subsequently measuring a financial instrument, generally changes in the fair value continue to be required to be recognised through surplus or deficit.
BC11.6	Consideration was given to whether additional guidance on grant prepayment assets and grant payment liabilities defined in Section 24A <i>Expenditure on grants, donations and similar transfers</i> was needed in this Section. The TAG was of the view that the guidance in Section 11 was sufficient and that there was no need for additional guidance here. Its advice was to keep the guidance in Section 24A. Section 11	Consideration was given to whether additional guidance on grant prepayment assets and grant payment liabilities as defined in Section 24 Part I <i>Expenses on grants and donations</i> was needed in this Section. The TAG was of the view that the guidance in Section 11 was sufficient and that there was no need for additional guidance here. Its advice was to keep any necessary guidance within Section 24





	does therefore does not refer to grant prepayment assets or grant payment liabilities except with respect to disclosure requirements, where Section 11 clarifies that where these exist, they should be disclosed separately.	Part I. Section 11 therefore does not refer to grant prepayment assets or grant payment liabilities.
Example – financial assets	5. For resources (cash or other assets) transferred in advance of the satisfaction of compliance obligations, a grant prepayment asset is recognised at the undiscounted amount of cash transferred or the total carrying amount of the assets transferred if it fails to meet its compliance obligations, which is normally the amount of grant allocated to the compliance obligations as required by Section 24A <i>Grant expenses</i> .	5. For the unconditional right to a refund or a return of previously transferred resources where a compliance obligation has not been met, a receivable is recognised at the undiscounted amount of cash receivable, or value of resources to be transferred, from the grant recipient.
Example – financial liabilities	3. For amounts owed to grant recipients because a compliance obligation has been met, a grant payment liability is recognised at the undiscounted amount of cash to be transferred or the total carrying amount of the assets to be transferred if it fails to meet its compliance obligations, which is normally the amount of grant allocated to the compliance obligations as required by Section 24A <i>Grant expenses</i> .	3. For cash amounts owed to grant recipients because a compliance obligation has been met, a payable is recognised at amortised cost.

**Question 5:** Do TAG members agree with these proposed changes?

- 3.4 There were suggested edits to the text, but where there was no NPO-specific wording, the text has been retained as per the original in the *IFRS for SMEs* Accounting Standard. Other editorial changes, principally formatting have been accepted.

#### **4. Substantive comments received and proposed changes to Section 26 *Share-based payments***

- 4.1 One TAG member proposed that explicit reference to the hierarchy of accounting standards is made in the basis for conclusions. This could then be directly used as the fallback and support the proposal to remove this section from INPAG because it is unlikely to be needed. The Secretariat agree with this proposal and the amendment to reference GP26 from the Preface has been made. There were no substantive comments on other aspects of Section 26.

#### **5. Substantive comments received and proposed changes to Section 28 *Employee benefits***

- 5.1 A number of minor editorial comments to the authoritative guidance and basis for conclusions were proposed, including minor points of clarification. These have been accepted.

- 5.2 One TAG member noted an inconsistency in the introduction to the basis for conclusions for this section where the opening paragraph stated that there had not been a full review of the section, but then went on to discuss the implications of a review of the section. This was also true of other sections and has been addressed across all relevant sections.

## **6. Substantive comments received and proposed changes to Section 29 *Income tax***

- 6.1 There were a number of minor editorial amendments and points of clarification proposed to the authoritative guidance and basis for conclusions, which have been accepted. In addition to this two TAG members had questions about the applicability of this Section to NPOs.
- 6.2 One TAG member queried whether an introductory preamble to the section would be useful to set the expectation that the section would only be applicable to a limited number of NPOs. The Secretariat would welcome TAG member views on this point and if this would be useful, where it should be located.
- 6.3 Another TAG member queried the need for paragraph G29.35, which refers to withholding tax on dividends. In line with the TAG member's suggestion dividends has been amended to distributions and views are sought on the need for this paragraph, given distributions are not expected to be a significant feature of NPOs.

**Question 6:** Do TAG members agree that Section 29 will have limited application and if so, should a preamble to this effect be included? What are TAG members' views on the need for a paragraph relating to tax on distributions?

## **7. Substantive comments received and proposed changes to Section 32 *Events after the end of the reporting period***

- 7.1 One TAG member queried why NPO debt was not included as a potential disclosure under paragraph G32.11 f). This has been updated to now include debt. A number of minor editorial changes to this section were proposed and have been accepted. This includes the changing of the heading above G32.8 from 'dividends' to 'distributions'.

## **8. Next steps**

### ***Scope of ED2***

- 8.1 With the delay in ED2 until September 2023, it is proposed to include Section 13 *Inventories* in ED2 rather than in ED3. Including this Section in ED2 will allow it to be read alongside Section 23 Part 1 *Revenue from grants and donations*. This may make it easier for users to understand the proposals relating to inventory.





- 8.2 Including Section 13 in ED2 will, however, make ED2 longer than the draft previously shared with TAG members. Including authoritative guidance, implementation guidance and the basis for conclusions, this is likely to add another 12 pages to the document.
- 8.3 The Secretariat also acknowledges that there is already considerable content in ED2 and is therefore considering whether any sections should be delayed to ED3. One option would be to defer Section 11 *Financial instruments* to ED3. This section is quite long and more technically challenging. Delaying this Section could provide an opportunity to see the IASB's response to its exposure of the third edition of the IFRS for SMEs Accounting Standard. However, there are links between financial instruments and the new content in Sections 23 and Section 24. Alternatively, Section 31 and Section 32 could be deferred to ED3.

**Question 7:** Do TAG members agree that section(s) should be deferred to Exposure Draft 3 to accommodate Section 13 in Exposure Draft 2? If so, do what are TAG members' views on the section(s) to defer?

***Comparison to the IFRS for SMEs Accounting Standard***

- 8.4 Annex B contains the proposed tables that describe the comparison between the INPAG draft sections and the *IFRS for SMEs Accounting Standard*.

**Question 8:** Do TAG members have any feedback on the draft comparison tables?

May 2023



## Annex A

### Proposed SMCs

	Section	SMC
1	6	Do you agree that transfers between funds should be shown on the Statement of Changes in Net Assets rather than on the Statement of Income and Expenses? If not, why not?
2	6	Does the consequential amendment to Section 6 provide sufficient guidance on transfers between funds? If not, what additional guidance is required?
3	11	Do you agree that there are no significant alignment changes required to Section 11, other than those that have already been made? If not, set out alignment changes required.
4	21	Do you agree that an illustrative example on warranties is removed from the Implementation Guidance, and a new example on onerous contracts is added? If not, why not?
5	25	Do you agree that there are no significant alignment changes required to Section 25, other than those that have already been made? If not, set out alignment changes required.
6	26	Given the characteristics of NPOs, do you agree that guidance on share-based payments is not required? If not, provide examples of share-based payments and explain how they are used.
7	28	Do you agree that profit sharing and share-based payments are removed from Section 28 <i>Employee benefits</i> to reflect that employees of NPOs are not incentivised by sharing in the surpluses made by an NPO? If not, provide examples of profit sharing arrangements used by NPOs.
8	28	Do you agree that in-year changes to the value of post-employment benefits can be shown on either the Statement of Income and Expenses or Statement of Changes in Net Assets? If not, why not?
9	29	Do you agree that Section 29 <i>Income taxes</i> is required? If not, which elements are not needed and why?
10	31	Do you agree that there are no significant alignment changes required to Section 31, other than those that have already been made? If not, set out alignment changes required
11	32	Do you agree that there are no significant alignment changes required to Section 32, other than those that have already been made? If not, set out alignment changes required

## Annex B

### Comparison to the *IFRS for SMEs Accounting Standard*

#### Comparison of Section 11 with the *IFRS for SMEs Accounting Standard*

Section 11 of INPAG has been drawn from Section 11 to the *IFRS for SMEs Accounting Standard*, with changes only to terminology and to align with the statements required by INPAG. The main differences between Section 11 to the draft Third edition of the *IFRS for SMEs Accounting Standard* and Section 11 of INPAG are as follows:

- Any references to share-based payments have been removed from this Section, as it is proposed that a section on share-based payments is not included in INPAG.
- INPAG Section 11 uses different terminology, referring specifically to NPOs, rather than entities more generally and to other Sections of INPAG rather than the *IFRS for SMEs Accounting Standard*.
- The examples provided in Section 11 of the draft Third edition of the *IFRS for SMEs Accounting Standard* have been relocated to the INPAG Implementation Guidance. Examples of monetary assets and liabilities arising from binding grant arrangements have been added.

#### Comparison of Section 21 with the *IFRS for SMEs Accounting Standard*

Section 21 of INPAG has been drawn from Section 21 to the *IFRS for SMEs Accounting Standard*, with changes only to terminology and to align with the statements required by INPAG. The main differences between Section 21 to the draft Third edition of the *IFRS for SMEs Accounting Standard* and Section 21 of INPAG are as follows:

- INPAG Section 21 uses different terminology, referring specifically to NPOs, rather than entities more generally and to other Sections of INPAG rather than the *IFRS for SMEs Accounting Standard*.
- The examples provided in Section 21 of the draft Third edition of the *IFRS for SMEs Accounting Standard* have been relocated to the INPAG Implementation Guidance. The example of warranties has been removed and a new example relating to onerous contracts has been added.

#### Comparison of Section 25 with the *IFRS for SMEs Accounting Standard*

Section 25 of INPAG has been drawn from Section 25 to the *IFRS for SMEs Accounting Standard*, with changes only to terminology and to align with the statements required by INPAG. The main differences between Section 25 to the draft Third edition of the *IFRS for SMEs Accounting Standard* and Section 25 of INPAG are as follows:



- INPAG Section 25 uses different terminology, referring specifically to NPOs, rather than entities more generally and to other Sections of INPAG rather than the *IFRS for SMEs* Accounting Standard.

#### **Comparison of Section 26 with the *IFRS for SMEs* Accounting Standard**

It is proposed to not include Share-based payments as a Section within INPAG. As a consequence Section 26 of the draft Third edition of the *IFRS for SMEs* Accounting Standard has been removed in its entirety. A paragraph has been included to explain why this Section is not part of INPAG.

#### **Comparison of Section 28 with the *IFRS for SMEs* Accounting Standard**

Section 28 of INPAG has been drawn from Section 28 to the *IFRS for SMEs* Accounting Standard, with changes only to terminology and to align with the statements required by INPAG. The main differences between Section 28 to the draft Third edition of the *IFRS for SMEs* Accounting Standard and Section 28 of INPAG are as follows:

- Any references to share-based payments have been removed from this Section, as it is proposed that a section on share-based payments is not included in INPAG. Share-based employee remuneration is not expected to be a feature of NPOs.
- References to profit sharing arrangements have been removed from this Section. Given the characteristics of NPOs, it is not expected that profit sharing will exist.
- The requirement that actuarial gains and losses recognised in other comprehensive income shall be presented in the statement of comprehensive income has been removed as this statement is not a primary statement in INPAG.
- References to the *IFRS for SMEs* Accounting Standard or full IFRS Accounting Standards have been removed in the context of a controlling NPO providing benefits to employees of controlled entities in the group as the accounts will be prepared using INPAG.
- INPAG Section 28 uses different terminology, referring specifically to NPOs, rather than entities more generally and to other Sections of INPAG rather than the *IFRS for SMEs* Accounting Standard.

#### **Comparison of Section 29 with the *IFRS for SMEs* Accounting Standard**

Section 29 of INPAG has been drawn from Section 29 to the *IFRS for SMEs* Accounting Standard, with changes only to terminology and to align with the statements required by INPAG. The main differences between Section 29 to the draft Third edition of the *IFRS for SMEs* Accounting Standard and Section 29 of INPAG are as follows:

- The exclusion relating to government grants has been removed as Section 24 of the draft Third edition of the *IFRS for SMEs* Accounting Standard on government grants is superseded by Section 23 Revenue Part I Revenue from grants and donations. Section 23 Part I uses the principles of the 5 step model used for other revenue recognition.



- INPAG requires that the tax expense is recognised in the same component as the transaction or other event that resulted in the tax expense rather than references to total comprehensive income.
- INPAG Section 29 uses different terminology, referring specifically to NPOs, rather than entities more generally and to other Sections of INPAG rather than the *IFRS for SMEs* Accounting Standard.

#### **Comparison of Section 31 with the *IFRS for SMEs* Accounting Standard**

Section 31 of INPAG has been drawn from Section 31 to the *IFRS for SMEs* Accounting Standard, with changes only to terminology and to align with the statements required by INPAG. The main differences between Section 31 to the draft Third edition of the *IFRS for SMEs* Accounting Standard and Section 31 of INPAG are as follows:

- Reference to the statement of comprehensive income and income statement have been replaced by the Statement of Income and Expenses and the Statement of Changes in Net Assets.
- INPAG Section 31 uses different terminology, referring specifically to NPOs, rather than entities more generally and to other Sections of INPAG rather than the *IFRS for SMEs* Accounting Standard.

#### **Comparison of Section 32 with the *IFRS for SMEs* Accounting Standard**

Section 32 of INPAG has been drawn from Section 32 to the *IFRS for SMEs* Accounting Standard, with changes only to terminology and to align with the statements required by INPAG. The main differences between Section 32 to the draft Third edition of the *IFRS for SMEs* Accounting Standard and Section 32 of INPAG are as follows:

- References to profit sharing have been removed as they are not expected to be a feature of NPO remuneration arrangements
- References to 'trade receivables' have been changed to 'receivables' as the primary objective of NPO is not expected to be 'trade'.
- A specific reference to the 'entity's owners' as having the power to amend the financial statements after issue has been removed.
- INPAG Section 32 uses different terminology, referring specifically to NPOs, rather than entities more generally and to other Sections of INPAG rather than the *IFRS for SMEs* Accounting Standard.